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SUBJECT: MEDVEDEV MEETS ALIYEV: NAGORNO-KARABAKH, ENERGY

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[1](#)B. MOSCOW 854

Classified By: Acting DCM Alice G. Wells for reasons 1.4(b) and (d)

[1](#)1. (C) Summary: During President Aliyev's April 17-18 visit to Moscow, Medvedev touted Russia's "mandate" in resolving the Nagorno-Karabakh conflict via presidential-level meetings, while Aliyev stuck to support for the Minsk Group process. Russia supported Aliyev's proposal for determining the width and status of the Lachin corridor, if Azerbaijan and Armenia could agree upon a "strong mechanism" such as a UNSCR to secure the region. Aliyev insisted that the Nagorno-Karabakh conflict be resolved before reopening the Turkey-Armenia border. Aliyev, like Armenian President Sargsian, reacted positively to a Minsk Group proposal with regard to the referendum issue. In energy discussions, Aliyev praised a potential gas deal as providing diversification of Baku's routes, while Gazprom officials downplayed the earlier MOU as "just a piece of paper." The Presidents also discussed Turkey, Georgia, trade, and cultural issues. End Summary.

Nagorno-Karabakh

[1](#)2. (SBU) President Medvedev and Aliyev in a joint press conference at the end of Aliyev's April 17-18 visit to Moscow both reiterated support for the OSCE and UN Security Council Resolutions as the basis for resolving the Nagorno-Karabakh conflict. While Medvedev touted Russia's "mandate" to ensure regular meetings between Armenian President Sargsian and Aliyev, and spoke of "new approaches" that could "inject new notes," Aliyev stuck to praising the Minsk Group, acknowledging recent progress in the Group-led negotiations. In an interview on Vesti TV April 18, Aliyev later advertised a proposal of his own along with a Minsk Group proposal as addressing the outstanding issues in a way that "would satisfy both sides."

Aliyev's Lachin Corridor proposal

[1](#)3. (C) According to Deputy Director of the MFA Azerbaijan desk Andrey Krutko, Aliyev said that during his January 28 meeting with Sargsian in Zurich, he had gotten the sense that Sargsian wanted to "retreat" rather than compromise. Therefore, Aliyev "did his homework" and worked out a proposal defining the width and status of the Lachin corridor, which the Minsk Group was now fleshing out with the aid of OSCE military experts in Vienna. While Sargsian was surprised by the proposal, he did not refuse to discuss it, Krutko said.

14. (C) Krutko said Medvedev had supported Aliyev's proposal, and suggested it could be feasible, even without the presence of peacekeepers in Lachin, if Armenia and Azerbaijan could agree upon a "strong mechanism" for the corridor, such as a UN Security Council Resolution. Russia considered the Lachin corridor issue to be the "key" to resolving the Nagorno-Karabakh conflict, Krutko said, repeating the GOR mantra that Russia favored any solution to the Nagorno-Karabakh problem that that was acceptable to both sides. Aliyev told Medvedev it would be easier to sell his Lachin proposal domestically if he had Armenia's agreement on immediate IDP return, as opposed to the five-year timeframe the Minsk Group had offered, or the three-year period Aliyev had previously championed.

Minsk Group referendum proposal

15. (C) On the issue of a referendum in Nagorno-Karabakh, Krutko reported that Aliyev, like Sargsian, reacted positively to the Minsk Group proposal to adapt language used in the October 16, 1975 International Court of Justice Advisory Opinion on the Western Sahara, referring to "self-determination through the free and genuine expression of the will of the peoples of the territory." Aliyev was comfortable with a delayed decision on the status of Nagorno-Karabakh, as long as it "reflected the issue of the restoration of Azerbaijan's territorial integrity."

Minsk Group vs. "2 plus 1"

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16. (C) Krutko said the Presidents agreed that plans for a June "2 plus 1" meeting on the margins of the St. Petersburg Economic Forum would be contingent on the results of the May 7 Aliyev-Sargsian meeting in Prague organized by the Minsk Group. Krutko described the Russian-led "2 plus 1" process as embedded in the Minsk Group process. He allowed that the quasi-exclusion of the Minsk Group co-chairmen from the November 2, 2008 "2 plus 1" talks in Moscow was a "tactical, not strategic" decision that reflected vestiges of the "homo Sovieticus" mentality, which assumed Russia understood the Caucasus better than others. Krutko suggested that Medvedev had called for the November "2 plus 1" talks because, new to the issue, he wanted to take a crack at resolving the conflict, but had since learned better.

Turkey

17. (C) Krutko described Aliyev as "frustrated" with the recent developments toward Turkey-Armenia rapprochement, which had caused him to cancel his participation in the recent Istanbul summit of the Alliance of Civilizations, but at the same time "flushed with pride" at his success in pressuring Turkey to delay the process. Aliyev insisted that the resolution of the Nagorno-Karabakh conflict must be a precondition to the opening of the Turkey-Armenia border, out of what Krutko described as suspicion Armenia might pocket the normalization of relations with Turkey while remaining stubborn on Nagorno-Karabakh. Krutko underscored Russia's interest in reopening all borders, including the Azerbaijan-Armenia border, in order to obtain easier access to its troops in Armenia, as well as facilitate Russian communication and trade with Yerevan.

"Positive" discussion on energy

18. (C) While their talks yielded no new agreements on energy, Medvedev and Aliyev in the joint press conference both positively evaluated the ongoing talks between Gazprom and SOCAR in accordance with the recently signed natural gas

cooperation MOU (ref A). Aliyev said that diversifying Azeri gas export routes was of "great interest" to Baku, as Azerbaijan currently only exported gas "in the western direction." He cited the existing infrastructure between Russia and Azerbaijan as another reason to send gas north, as it minimized the need for additional investments. Azeri Embassy Counselor Israfil Ahmadov corrected press reports suggesting that Azerbaijan was interested in using Russia as a transit country through which to sell gas to European consumers, telling us that any Azeri gas to Russia would be sold to Gazprom.

¶9. (C) Calling the March 27 Gazprom-SOCOR MOU "just a piece of paper" and the volume of gas under consideration -- 5 billion cubic meters per year -- "insignificant," Gazprom Director of Foreign Relations Ivan Zolotov told us he personally doubted that Azeri gas would begin flowing to Russia anytime soon, given that Gazprom "doesn't need it" (ref B). However, he conceded that it could be cheaper to supply southern Russian markets with Azeri gas, and that developing commercial links between the two sides was important for the long term.

¶10. (C) Krutko told us Moscow had not linked Gazprom's access to Azeri hydrocarbons to Russian assistance on resolving the Nagorno-Karabakh conflict, but suggested Azerbaijan was "lucky" to receive Gazprom's offer, given its current contract with Turkey. Claiming Turkey bought the bulk of Azeri gas at one-third the price paid by European consumers, Krutko said Gazprom had offered Azerbaijan 15 percent less than the European price, plus further reductions to allow for transit costs and a profit margin for Gazprom. Krutko estimated that this put the final price at about 75 percent of the European price, still well above the Turkish price.

¶11. (C) Vladimir Gavrin, a senior manager with consulting firm Wood Mackenzie, agreed with Aliyev's reasoning for selling gas to Russia to diversify Azerbaijan's export routes and utilize existing infrastructure. He predicted that "if the companies can agree on commercial terms," Azerbaijan would sell gas to Russia in the future. He reasoned that despite the current oversupply of gas (ref B), Gazprom could

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still import gas from Azerbaijan and possibly save money by suspending or delaying some of its own production and development projects.

Other issues: Georgia, trade, culture

¶12. (C) Krutko said that Medvedev raised Azerbaijani military support to Georgia without referencing his January 19, 2009 decree threatening economic sanctions to countries engaged in arms transfers to Georgia. Instead, Medvedev based his request that Azerbaijan discontinue its military sales to Georgia on "standard agreements" between Russia and the countries to which Russia sells sensitive arms, which stipulate that the countries do not "cooperate with hostile countries." Krutko reported with a grin that Aliyev -- "like all leaders we raise this with" -- denied any such cooperation was going on.

¶13. (C) Medvedev and Aliyev also discussed trade between Azerbaijan and Russia, which had increased by 40 percent in 2008, according to Medvedev. They also discussed cultural ties, including the recent opening of an information center and Moscow State University branch in Baku, as well as an Azerbaijani language and culture center in Moscow. According to Krutko, Caspian Sea issues were not a topic of conversation during Aliyev's visit, as the status of the Caspian was not a contentious issue between Russia and Azerbaijan and had just been discussed at the Deputy Foreign Minister level April 14-15.

Three meetings

¶14. (C) Krutko said Medvedev and Aliyev met three times during Aliyev's visit. While the April 17 one-on-one meeting after a family barbeque at Medvedev's Barvikha residence covered a wide range of subjects such as the Presidents' views of President Obama (both considered him to be "smart (tonkii), sophisticated and well-informed") and the "future of democracy," the one-on-one on April 18 covered bilateral issues, including energy. Foreign Minister Lavrov, Presidential Foreign Policy Advisor Sergey Prikhodko, Azeri Foreign Minister Mammadyarov, and Krutko then joined Medvedev and Aliyev for talks on Nagorno-Karabakh. While Aliyev has met with Putin in his capacity as Prime Minister in the past, there was no such meeting this round, according to the Azerbaijan embassy and Ekho Moskvii Venediktov's readout from Press Secretary Gromov.

RUBIN